

Red River Film Society, Inc.**Financial Statements****June 30, 2007 and 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

4/9/08

Red River Film Society, Inc.

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COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

C. BRYAN COYLB, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report


To the Board of Directors
Red River Film Society, Inc.

We have audited the accompanying statements of financial position of Red River Film Society, Inc., as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Red River Film Society, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Red River Film Society, Inc., as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2007 on our consideration of Red River Film Society, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Cook & Morehart
Certified Public Accountants
December 20, 2007

Red River Film Society, Inc.
Statements of Financial Position
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 646,851	\$ 405,569
Grant and contract receivables	215,262	5,708
Other receivables	2,140	624
Total current assets	<u>864,253</u>	<u>411,901</u>
Other assets:		
Promises to give - building renovations	235,856	358,479
Cash restricted - building renovations	921,698	1,097,036
Deposits	3,200	
Total other assets	<u>1,160,754</u>	<u>1,455,515</u>
Property and equipment	1,049,825	212,281
Accumulated depreciation	<u>(9,807)</u>	<u>(4,970)</u>
Net property and equipment	<u>1,040,018</u>	<u>207,311</u>
Total Assets	<u>\$ 3,065,025</u>	<u>\$ 2,074,727</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 268,322	\$ 9,040
Total current liabilities	<u>268,322</u>	<u>9,040</u>
Net assets:		
Unrestricted:		
Operating	599,131	402,861
Fixed assets	<u>1,040,018</u>	<u>207,311</u>
Total unrestricted	1,639,149	610,172
Temporarily restricted	<u>1,157,554</u>	<u>1,455,515</u>
Total net assets	<u>2,796,703</u>	<u>2,065,687</u>
Total Liabilities and Net Assets	<u>\$ 3,065,025</u>	<u>\$ 2,074,727</u>

The accompanying notes are an integral part of the financial statements.

Red River Film Society, Inc.
Statement of Activities
For the Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Contractual revenue – grants	\$ 201,508	\$ 600,838	\$ 802,346
Donations and contributions	181,737	55,000	236,737
Special events	164,517		164,517
Movie rental and admissions	6,861		6,861
Other income	12,226		12,226
Interest and investment income	74,343		74,343
Net assets released from restrictions:			
Restrictions satisfied by expending funds for the purpose intended	<u>953,799</u>	<u>(953,799)</u>	
Total revenues and other support	<u>1,594,991</u>	<u>(297,961)</u>	<u>1,297,030</u>
Expenses:			
Program services	273,633		273,633
General administration	176,262		176,262
Fund raising	<u>116,119</u>		<u>116,119</u>
Total expenses	<u>566,014</u>		<u>566,014</u>
Change in net assets	1,028,977	(297,961)	731,016
Net assets as of July 1, 2006	<u>610,172</u>	<u>1,455,515</u>	<u>2,065,687</u>
Net assets as of June 30, 2007	<u>\$ 1,639,149</u>	<u>\$ 1,157,554</u>	<u>\$ 2,796,703</u>

The accompanying notes are an integral part of the financial statements.

Red River Film Society, Inc.
Statement of Activities
For the Year Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Contractual revenue – grants	\$ 68,142	\$ 42,000	\$ 110,142
Donations and contributions	118,160	400,116	518,276
Special events	16,885		16,885
Other income	7,613		7,613
Interest and investment income	51,589		51,589
Net assets released from restrictions:			
Restrictions satisfied by expending funds for the purpose intended	<u>151,337</u>	<u>(151,337)</u>	
Total revenues and other support	<u>413,726</u>	<u>290,779</u>	<u>704,505</u>
Expenses:			
Program services	77,515		77,515
General administration	173,272		173,272
Fund raising	<u>108,453</u>		<u>108,453</u>
Total expenses	<u>359,240</u>		<u>359,240</u>
Change in net assets	<u>54,486</u>	<u>290,779</u>	<u>345,265</u>
Net assets as of July 1, 2005	<u>555,686</u>	<u>1,164,736</u>	<u>1,720,422</u>
Net assets as of June 30, 2006	<u><u>\$ 810,172</u></u>	<u><u>\$ 1,455,515</u></u>	<u><u>\$ 2,065,687</u></u>

The accompanying notes are an integral part of the financial statements.

Red River Film Society, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2007

	Program Services	General Administration	Fund Raising	Total
Expenses:				
Salaries and wages	\$ 102,059	\$ 78,463	\$ 51,343	\$ 231,865
Employee benefits	6,198	3,954	3,797	13,949
Payroll taxes	8,049	6,774	4,526	19,349
Contract labor and services	3,926	12,949	12,083	28,958
Office expense	2,284	127	444	2,855
Telephone	900	5,905	52	6,857
Insurance	508	8,102	1,342	9,952
Repairs and maintenance	427			427
Supplies	3,879	14,806	929	19,614
Printing and promotional materials	5,118	607	1,494	7,219
Rent	1,805	18,873	600	21,278
Advertising	5,000	328		5,328
Travel and training	3,391	6,867	3,411	13,669
Community education	1,292			1,292
Movie rental and other costs	13,182			13,182
Bank fees		8,413	5,250	13,663
Film Alliance expenses	108,408			108,408
Special events			26,774	26,774
Professional fees		5,580		5,580
Postage and shipping	673	1,352	2,990	5,015
Other	4,103	1,327	513	5,943
Depreciation	2,431	1,835	571	4,837
Total expenses	<u>\$ 273,633</u>	<u>\$ 176,262</u>	<u>\$ 116,119</u>	<u>\$ 566,014</u>

The accompanying notes are an integral part of the financial statements.

Red River Film Society, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2006

	Program Services	General Administration	Fund Raising	Total
Expenses:				
Salaries and wages	\$ 47,774	\$ 75,924	\$ 55,206	\$ 178,904
Employee benefits	2,047	12,511	1,884	16,442
Payroll taxes	4,420	7,249	4,941	16,610
Contract labor and services	2,240	30,901	90	33,231
Office expense	298	720	4,585	5,603
Telephone		5,861		5,861
Insurance		10,791		10,791
Repairs and maintenance	36	1,083	64	1,183
Supplies	2,263	12,515	342	15,120
Printing and promotional materials	5,826	2,707	14,757	23,289
Rent	80	5,868		5,948
Advertising	303	1,293		1,596
Travel and training		953	4,652	5,605
Community education	4,084			4,084
Movie rental and other costs	5,547			5,547
Bank fees		1,141		1,141
Special events			20,404	20,404
Other	688	2,196	1,005	3,889
Depreciation	1,910	1,559	523	3,992
Total expenses	<u>\$ 77,515</u>	<u>\$ 173,272</u>	<u>\$ 108,453</u>	<u>\$ 359,240</u>

The accompanying notes are an integral part of the financial statements.

Red River Film Society, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Change in net assets	\$ 731,016	\$ 345,265
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,837	3,992
Contributions restricted for building renovations	175,338	(142,835)
(Increase) decrease in operating assets:		
Grant and contract receivables	(209,554)	485,741
Other receivables	(1,516)	126
Promises to give	122,623	(157,571)
Deposits	(3,200)	
Increase (decrease) in operating liabilities:		
Accounts payable	<u>259,282</u>	<u>8,500</u>
Net cash provided by operating activities	<u>1,078,826</u>	<u>543,218</u>
Investing Activities		
Payments for equipment	(41,369)	(25,582)
Payments for building renovations	<u>(796,175)</u>	<u>(151,337)</u>
Net cash (used in) investing activities	<u>(837,544)</u>	<u>(176,919)</u>
Net increase in cash and cash equivalents	241,282	368,299
Cash and cash equivalents, beginning of year	<u>405,569</u>	<u>39,270</u>
Cash and cash equivalents, end of year	<u><u>\$ 646,851</u></u>	<u><u>\$ 405,569</u></u>

The accompanying notes are an integral part of the financial statements.

Red River Film Society, Inc.
Notes to Financial Statements
June 30, 2007 and 2006

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Red River Film Society, Inc. (RRFS) is a nonprofit corporation organized under the laws of the State of Louisiana. Red River Film Society, Inc. was established for the purposes of the development of the cinematic arts in the Shreveport area. Red River Film Society, Inc.'s mission is to provide a venue for international, independent, and classic film while serving as a resource for film production and film entertainment.

B. Basis of Accounting

The financial statements of Red River Film Society, Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Investments

Investments consist of money market funds and marketable securities. Money market funds are stated at cost, which approximates the market value. Marketable securities are stated at fair value. Realized and unrealized gains and losses are included in the statement of activities.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash equivalents, as stated for cash flow purposes, consist of non-interest bearing bank accounts and short term highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

(Continued)

Red River Film Society, Inc.
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

G. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Promises to give in excess of one year are recorded at their net present value. All contributions—pledges are considered for unrestricted use unless specifically restricted by donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

H. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

I. Revenue and Support

Donations, contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

J. Income Tax Status

Red River Film Society, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. Red River Film Society, Inc. had no such income during this audit period.

K. Donated Assets

Non-cash donations are recorded as contributions at their estimated fair value at the date of donation.

(Continued)

Red River Film Society, Inc.
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

L. Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair market value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

M. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject Red River Film Society, Inc. to concentrations of credit risk consist principally of temporary cash investments, grant receivables, and promises to give.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies and other nonprofit organizations under contractual terms. As of June 30, 2007 and 2006, Red River Film Society, Inc. had no significant concentrations of credit risk in relation to grant receivables.

Red River Film Society, Inc. maintains cash balances at local financial institutions. Accounts at those institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2007 and 2006 there were no uninsured balances at those institutions.

Red River Film Society, Inc. also maintains certificates of deposit and money funds at a local brokerage firm which is a member of the Securities Investor Protection Corporation (SIPC). Amounts at the brokerage firm at June 30, 2007 and 2006 were \$1,544,198 and \$1,493,198, respectively.

Concentrations of credit risk with respect to promises to give are limited due to the number of contributions comprising Red River Film Society, Inc.'s contributor base.

(3) Grant and Contract Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from the funding sources at June 30, 2007 and 2006 but not received until after that date.

(Continued)

Red River Film Society, Inc.
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

(4) Assets Restricted for Building Renovations

Assets restricted for building renovations at June 30, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Cash	\$ 921,698	\$ 1,097,036
Promises to give	<u>235,856</u>	<u>358,479</u>
	<u>\$ 1,157,554</u>	<u>\$ 1,455,515</u>

Promises receivable expected to be collected over more than one year are discounted at 5% at June 30, 2007 and 2006. The allowance for uncollectible promises receivable at June 30, 2007 and 2006 was \$13,220 and \$20,200, respectively.

	<u>2007</u>	<u>2006</u>
Receivables in less than one year	\$ 109,860	\$ 169,816
Receivables in two to five years	<u>141,340</u>	<u>214,308</u>
	251,200	384,124
Less discounts to net present value	<u>(15,344)</u>	<u>(25,645)</u>
Net promises to give	<u>\$ 235,856</u>	<u>\$ 358,479</u>

(5) Fixed Assets

A summary of fixed assets as of June 30, 2007 follows:

	<u>Estimated Useful Life</u>	<u>Cost / Basis</u>	<u>Accumulated Depreciation</u>
Equipment	5-7 years	\$ 34,286	\$ 9,807
Construction in progress	N/A	<u>1,015,539</u>	<u>-</u>
		<u>\$ 1,049,825</u>	<u>\$ 9,807</u>

Depreciation expense for the year ended June 30, 2007 was \$4,837.

A summary of fixed assets as of June 30, 2006 follows:

	<u>Estimated Useful Life</u>	<u>Cost / Basis</u>	<u>Accumulated Depreciation</u>
Equipment	5-7 years	\$ 32,918	\$ 4,970
Construction in progress	N/A	<u>179,363</u>	<u>-</u>
		<u>\$ 212,281</u>	<u>\$ 4,970</u>

Depreciation expense for the year ended June 30, 2006 was \$3,992.

(Continued)

Red River Film Society, Inc.
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets consists of grants and donations received for specific purposes which were not expended as of June 30, 2007 and 2006 for building renovations.

(7) Leases

Red River Film Society, Inc. leases office space under an operating lease. The rental costs on this lease for the years ended June 30, 2007 and 2006 were \$6,240 and \$5,400, respectively. As of June 30, 2007, there were no obligations under the lease agreement in excess of one year.

Red River Film Society, Inc. entered into a lease agreement in December, 2006 for certain real estate. The lease has a one year term with an option for (4) four additional one-year periods. Monthly rental amounts for the first year term are \$1,600. The rents for the option years range from monthly amounts of \$1,700 – \$2,200. The agreement allows for an option to purchase the property during the lease term and the (4) four optional one-year periods. The purchase price is \$200,000 during the first year and ranges from \$210,000 to \$280,000 during the (4) four optional years. Rental costs on this lease for the year ended June 30, 2007 were \$11,200.

Red River Film Society, Inc. entered into a lease agreement in November, 2003 for a facility to house its permanent location for a film and theater facility. The lease will be without the requirement of rental payments on the condition that the Film Society construct and operate on the leased premises a complex which will host film and theater to the general public. The lease term is for ninety-nine (99) years. The lease agreement was amended in November, 2006 to allow for an option to purchase the leased facility at anytime during the lease term for \$350,000.

(8) Revenue and Support Concentrations

Red River Film Society, Inc. entered into cooperative endeavor agreements with the State of Louisiana and other local governments which provided revenue to assist in the construction of a permanent location and for general operations. Amounts recognized during the year ended June 30, 2007 from those entities was \$710,838. This represents a significant amount of the restricted support. For the year ended June 30, 2006, revenue and support representing approximately 24% was provided by one contributor.

(9) Retirement Plan

Red River Film Society, Inc. offers employees the opportunity for participation in a SIMPLE Plan. The effective date of the plan agreement is November, 2005. The organization matches employees' contributions up to 2% of their compensation. Retirement plan expense for the year ended June 30, 2007 and 2006 was \$2,736 and \$1,961, respectively.

(Continued)

Red River Film Society, Inc.
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

(10) Subsequent Events

Red River Film Society, Inc. entered into a construction contract in February, 2007, for renovation of a building for the permanent location of their film and theater operations. The contract, including change orders, totals approximately \$2,755,755. Costs incurred under this contract as of June 30, 2007 was approximately \$636,021.

Red River Film Society, Inc. obtained two non-revolving lines of credit, one for \$570,250 and one for \$435,107, to be converted to term loans. The loans are to be used for facility renovations. Both loans require interest payments monthly. Initial interest rates 7.5%, with variable interest rates. The loans are dated December, 2007 and mature December, 2008. The commitment from the bank is to convert those loans to a five year term requiring monthly principal and interest payments. Red River Film Society, Inc. plans on raising additional donations and other funds and will only utilize the lines of credit if necessary. No amounts have been drawn down on these lines of credit as of December 20, 2007.

Red River Film Society, Inc. has signed a Cooperative Endeavor Agreement with the State of Louisiana, dated February, 2007 and amended December, 2007, to provide capital outlay funds for a portion of the construction costs of the renovation of the film and theater facility. The amount of capital outlay funds made available under this agreement is \$1,440,000. Revenue recognized through June 30, 2007 under this agreement was \$300,838.

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE - SHREVEPORT, LOUISIANA 71107 - P.O. BOX 78240 - SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards

To the Board of Directors
Red River Film Society, Inc.
Shreveport, Louisiana

We have audited the financial statements of Red River Film Society, Inc. as of and for the year ended June 30, 2007, and have issued our report thereon dated December 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Red River Film Society, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Red River Film Society, Inc.'s internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Red River Film Society, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the agency's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the agency's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

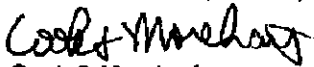
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Red River Film Society, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Cook & Morehart
Certified Public Accountants
December 20, 2007

**Red River Film Society, Inc.
Summary Schedule of Prior Year Audit Findings
Schedule for Louisiana Legislative Auditor
June 30, 2007**

There were no findings or management letter comments for the prior year audit for the year ended June 30, 2006.

**Corrective Action Plan For Current Year Audit Findings
Schedule for Louisiana Legislative Auditor
June 30, 2007**

There are no findings or management letter comments for the current year audit for the year ended June 30, 2007.